

# **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.



# THE DEMAND AND PRICE SITUATION

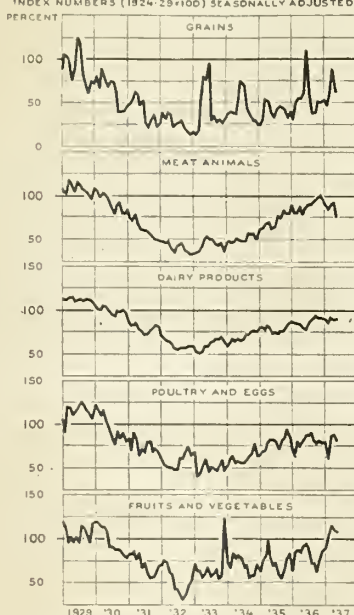
BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C.

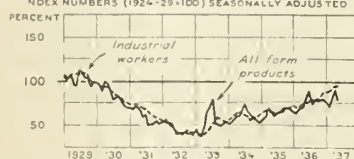
JULY 1937

## INCOME AND RELATED STATISTICS

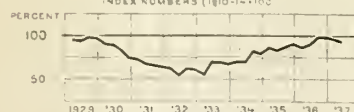
CASH INCOME FROM SALES OF FARM PRODUCTS  
INDEX NUMBERS (1924-25=100) SEASONALLY ADJUSTED



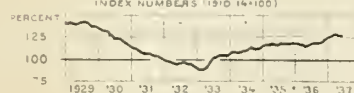
CASH FARM INCOME AND INCOME OF INDUSTRIAL WORKERS  
INDEX NUMBERS (1924-25=100) SEASONALLY ADJUSTED



RATIO OF PRICES RECEIVED TO PRICES PAID BY FARMERS  
INDEX NUMBERS (1910=100)

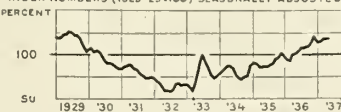


WHOLESALE PRICES OF ALL COMMODITIES, U.S.  
INDEX NUMBERS (1910=100)

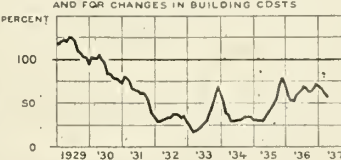


## MEASURES RELATING TO DEMAND FOR FARM PRODUCTS

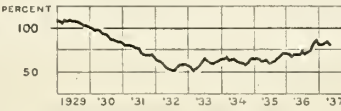
INDUSTRIAL PRODUCTION, U.S.  
INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED



BUILDING CONTRACTS AWARDED, U.S.  
INDEX NUMBERS (1923-25=100) ADJUSTED SEASONALLY AND FOR CHANGES IN BUILDING COSTS



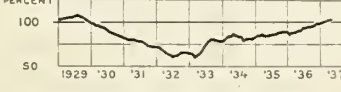
FREIGHT CAR LOADINGS, U.S.  
INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED



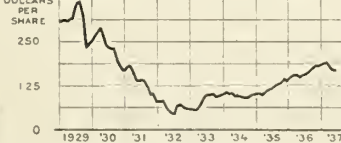
FOREIGN INDUSTRIAL PRODUCTION  
INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED



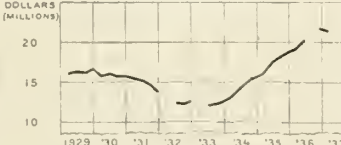
FACTORY EMPLOYMENT, U.S.  
INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED



INDUSTRIAL STOCKS: AVERAGE PRICE BASED ON 30 STOCKS, U.S.

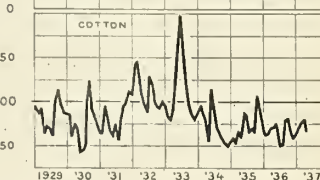
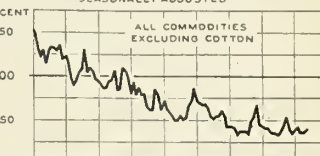


DEMAND DEPOSITS OF ALL MEMBER BANKS, U.S. (ADJUSTED)

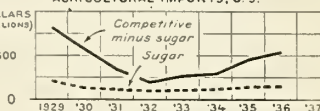


## FOREIGN TRADE AND RELATED STATISTICS

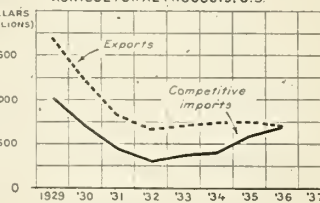
VOLUME OF AGRICULTURAL EXPORTS, U.S.  
INDEX NUMBERS (JULY 1909-JUNE 1914=100) SEASONALLY ADJUSTED



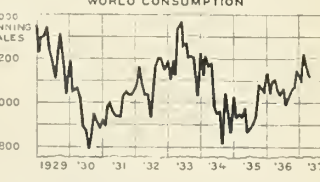
VALUE OF COMPETITIVE AGRICULTURAL IMPORTS, U.S.



VALUE OF FOREIGN TRADE IN AGRICULTURAL PRODUCTS, U.S.



COTTON, AMERICAN: WORLD CONSUMPTION



COTTON, ALL KINDS: UNITED STATES CONSUMPTION



## DOMESTIC DEMAND

Consumer demand for farm products is not expected to change much during the next few months. The leveling off of industrial activity which has been in evidence for several months has just begun to be reflected in the statistics of employment, pay rolls and non-agricultural income, the upward trend of which failed to continue through May (see table on last page). Largely because of strikes which interrupted operations in the steel industry and some other lines, the general level of industrial activity appears to have declined more than seasonally in June and early July. However, the resumption in early July of activity in some of the industries affected by the strikes has resulted in recovery of part of the lost ground.

After allowing for these immediate effects of the strikes, the greater than seasonal decline in industrial activity which might be expected this summer has not yet become manifest in the general indices of business activity. There have been no material changes, however, in the conditions pointing to such a development. During recent weeks sales were still below output in the textile, steel, lumber, and several other industries. Production in some of these lines will slacken more than seasonally unless there is an earlier pick-up in new orders than now seems probable. While building construction increased somewhat in June, there were no definite indications of an early vigorous revival of activity in this industry, or in others, which might be expected to offset the prospective declines mentioned above. It is probable, however, that the consumer demand for farm products would be little affected by such a "statistical recession" in business.

Examination of the prospects for activity in the several lines of business contributing to the index of industrial production does not indicate any early resumption of the marked upswing in business which was in progress until recent months. On the other hand, almost none of the commonly accepted indications of a peak in the cyclical upswing of business have been encountered, and the general impetus of recovery is expected by many business forecasters to bring about a continuance of the rise after only a minor summer lull.

From time to time it is desirable to compare the movements of major lines of activity, which are represented in the various indices of business activity, with some of the smaller items which may be individually unimportant but collectively contribute much to the general business situation. One source of information of the latter type is the internal revenue tax collections covering a large number of items for which changes in sales are indicated by federal taxes paid. The accompanying table shows the taxes collected on sales of some of these items during the first 5 months of 1936 and of 1937, with percentage changes.

It will be noted that the sale of some lines of goods generally referred to as "luxury items" increased markedly from 1936 to 1937. The general recovery has been evidenced not only in the increased output of automobiles, but also in larger sales of parts and accessories, tires and tubes, and gasoline and lubricating oils. The large increase in the sale of household electrical equipment is represented in the increased tax collections on mechanical refrigerators which were nearly 60 percent greater in 1937 than during the corresponding period of 1936.



Index numbers of the output of non-durable goods frequently are taken to represent changes in the output of consumers' goods, while index numbers of durable goods production are used to measure changes in the output of capital goods, or those depending primarily upon expenditures by business. Some kinds of durable goods, however, such as automobiles, depend to a large extent upon spending by consumers, and the available measures of non-durable goods production do not include many kinds of products purchased by consumers. If changes in the production and sale of all products purchased by consumers were reflected in the index numbers of production of non-durable goods, it is probable that the latter would reflect greater changes during depression and recovery. Foods and similar items with which such index numbers are heavily weighted do not experience as much variation, for example, as some of the items listed in the accompanying table.

From the available evidence, it appears that there has been a very marked recovery in the output of most lines of consumers' goods, and that despite large percentage gains in some lines of durable goods the latter are still lagging well behind and account for a good part of whatever remains of the depression. In evaluating the prospects for further improvement in business conditions during the remainder of 1937, therefore, much depends upon the expected changes in building construction and in capital expenditures for railroad and industrial plant equipment. It is principally the failure of some of these lines to experience the sharp upswing which had been expected for 1937 which is causing some business forecasters to become less optimistic with respect to the trend during the remainder of this year.

Internal revenue collections on certain items for the first  
5 months of 1936 and 1937

| Source of revenue                            | 1936        | 1937        | Percentage change |
|----------------------------------------------|-------------|-------------|-------------------|
|                                              | Dollars     | Dollars     | Percent           |
| Liquors .....                                | 193,774,151 | 213,797,361 | + 10.33           |
| Cigars .....                                 | 4,655,710   | 5,054,144   | + 8.56            |
| Cigarettes .....                             | 175,742,643 | 191,518,302 | + 8.98            |
| Tobacco, chewing and smoking .....           | 23,174,536  | 22,610,026  | - 2.44            |
| Auto parts and accessories .....             | 2,944,716   | 4,135,324   | + 40.43           |
| Tires and tubes .....                        | 12,290,632  | 17,102,230  | + 39.15           |
| Gasoline and lubricating oil .....           | 72,168,784  | 85,366,894  | + 18.29           |
| Toilet preparations .....                    | 5,425,120   | 8,035,845   | + 48.12           |
| Furs .....                                   | 1,281,781   | 2,241,720   | + 74.89           |
| Radios and phonograph records .....          | 1,902,618   | 2,170,046   | + 14.06           |
| Mechanical refrigerators .....               | 3,453,587   | 5,497,702   | + 59.19           |
| Sporting goods .....                         | 2,453,496   | 2,681,800   | + 9.31            |
| Cameras and lenses .....                     | 246,865     | 400,993     | + 62.43           |
| Firearms and shells .....                    | 671,286     | 756,093     | + 12.63           |
| Pistols and revolvers .....                  | 25,972      | 43,198      | + 66.33           |
| Telephone, telegraph, radios and cable ..... | 8,606,695   | 10,004,477  | + 16.24           |
| Admissions .....                             | 6,705,115   | 7,645,239   | + 14.02           |

Compiled from reports of the Bureau of Internal Revenue.

## FOREIGN DEMAND

Industrial production in major foreign countries is continuing at a level about 10 percent higher than a year ago. The increase in the first quarter of this year, however, has been followed by a leveling-off, somewhat comparable with that occurring in the United States.

With the high level of foreign industrial production, demand for American farm products having an international market has been well sustained during the past crop year. Commodity speculation was very active in the first quarter of this year, and was followed by a sharp decline which eliminated practically all the rise in average prices of international commodities that had occurred during the period from the middle of December 1936 to the beginning of April of this year. Since the middle of June, however, average prices of these commodities have turned upward and foreign demand is expected to remain at least near present levels during the last half of this year.

The recent financial crisis in France, involving the further depreciation of the franc, has tended to alleviate an atmosphere of uncertainty that has pervaded the international monetary situation. France is now free to pursue her internal policies with much less threat of abnormal capital movements. The rediscount rate of the Bank of France has already been reduced from 6 to 5 percent. This easing of the credit situation should contribute to a continuation of the upward trend of industrial production in that country which began in August 1936, although many uncertainties still exist.

## WHOLESALE PRICES

The general level of wholesale prices, at 87 percent of the 1926 average, in early July was 1 percent below the April high point of the year, although 10 percent above the July level of a year ago. A slight upturn occurred in late June and early July. This upturn was wholly due to advancing prices of farm products and foods, for prices of commodities other than these two groups have remained steady. Little change in the general level of wholesale prices is expected within the next few months, with any change which may occur likely to be upward.

In the 3 months since the high point of the year, reached in early April, prices of farm products have declined 7 percent in spite of a 5 percent rise in livestock and poultry. In the same period, prices of foods declined only 3 percent, with moderate increases in prices of meats and cereals partially offsetting a 20-percent decline in prices of dairy products. Except for a slight decrease in prices of chemicals and drugs, prices of non-agricultural commodities have been practically unchanged in the past 3 months.

The ratio of wholesale prices of farm products to wholesale prices of non-agricultural products for the week ended July 3 was 97 percent of the pre-war average, compared with 94 for the corresponding week last year and with 92 2 years ago. The recovery high point occurred in early April, when the ratio reached 103 percent.



Prices in most of the major foreign countries, like those of the United States, declined in May or early June from their recent recovery high points. Prices in England have declined irregularly since mid-May. Prices in France declined slightly from April to May, reflecting lower prices of both agricultural and industrial products. French prices for June are at about the May level, with agricultural prices rallying and industrial prices continuing the recession which began in April. Prices in Japan declined about 3 percent in May because of weakness in prices of several imported commodities, principally metals, cereals, and fibrous products.

Compared with a year ago, prices in France have advanced 47 percent more rapidly than they have in other foreign countries, with the Netherlands and Japan in second place (26 and 25 percent, respectively). Largely because of its system of price control, prices in Germany have risen only 2 percent in the same period.

Like Germany, Italy and Poland are taking increasingly strong measures to prevent an undue rise in prices. In Italy, prices rose rapidly during 1935 but since the devaluation in October 1936 the increase has been relatively moderate. The adjustment of the lira in Italy was accompanied by the prohibition for 2 years of any rise in rent, water, gas, electric power rates, and transport tariffs; furthermore, emergency duties on raw materials were removed or substantially reduced. In Poland the Ministerial Council recently decreed a series of measures aimed at combatting the general price rise; a number of these are important from an agricultural standpoint. For example, the exportation of bread grain has been completely prohibited for the balance of the season and milling extraction percentages have been fixed at 70 percent for rye and 65 percent for wheat. At the same time, importation of feedstuffs is permitted to discourage feeding of bread grain. Poland has likewise established a special Commission for Price Control.

The combined index of wholesale prices in the currencies of seven foreign countries, which are important markets for American farm products, was practically unchanged from April to May at 88 percent of the 1926 level with price advances in some countries offsetting declines in others.

#### PRICES RECEIVED AND PAID BY FARMERS

The general level of prices received by farmers for farm products in mid-June was 124 percent of pre-war, compared with 128 in May and 107 in June 1936. The level of prices paid by farmers for commodities is estimated at 133 percent of the pre-war average for June compared with 120 a year earlier. The ratio of prices received to prices paid by farmers was 93 in June compared with 96 in May and 89 a year earlier.

Changes in market prices from June to July indicate that the level of prices received by farmers in mid-July is higher than a month earlier. Market prices of grains, hogs, cattle, eggs, butterfat and fruits are up, while prices of lambs, poultry, and most vegetables are down, with prices of some products including cotton and wool substantially unchanged.

The outlook for the major commodities indicates that the price declines associated with the transition from one crop season to another are about over for some commodities, while for some others they will not occur until later. The general level of prices received by farmers is not expected to change much from July to August, although a slight rise may be experienced.

### FARM INCOME

Preliminary indications of marketings of the more important farm products during June together with the average level of farm prices indicate the cash income from marketings for the month of June probably was slightly larger than in May and not much different from that of June 1936. Government payments to farmers under the Agricultural Conservation Program were probably considerably smaller than the \$57,000,000 received as benefit payments in June 1936.

The slight increase in the June income over May of this year was mainly due to somewhat larger marketings and higher prices of meat animals and increased supplies of grains as new wheat shipments began to move from the Southwest.

In July of last year, actual and prospective drought damage to crops led to a sharp upward movement of the general level of farm prices, particularly grains, and there was a heavy early movement of grains to market. Cash farm income accordingly rose from June to July by a much greater than usual amount. The seasonally adjusted index of the income from grains jumped 12 points, while the index of income from all farm marketings rose 8 points. In August the index dropped sharply and remained about steady during the rest of the year.

In view of the expected increase in marketings and maintenance of the present high level of farm prices, the July cash farm income is likely to show a markedly greater than seasonal increase over June, as it did in 1936. If grain marketings in July continue at the heavy rate shown in the first week and prices of meat animals hold their advance, it is possible that the July cash farm income will exceed that of July 1936, when income was the highest for the month since July 1929. In the remaining months of this year cash farm income is likely to run somewhat larger than in 1936 and follow a more nearly normal seasonal distribution.

### WHEAT

Prospective world wheat supplies for the year beginning July 1 are now expected to be smaller and demand improved compared with last year so that Liverpool prices in 1937-38 may average materially higher than in 1936-37. After 4 years of small crops, domestic production is again large enough to provide a considerable quantity for export in addition to supplying domestic requirements. Prices in importing countries in 1937-38, however, may be more than enough higher to offset the adjustment of United States prices to an export basis, and domestic prices may average higher than in 1936-37.



Wheat prices in both foreign and domestic markets in the next few months will continue to be sensitive to new crop developments. This is especially true with respect to the wheat crops in the United States and Canada, which two countries are important sources of world supplies until the Argentine and Australian crops become available next winter. On account of the scarcity of old crop wheat in the United States, the early movement of the new crop has been taken largely by mills, and prices have been on a comparatively high level. As mill takings are reduced, it is likely that some further adjustment in cash prices relative to prices in importing countries will take place. However, if lower cash wheat prices in the next few months are accompanied by large exports, prices would be expected to advance later in the year, both because of the reduction in the exportable surplus and because of a prospective strengthening of world markets.

World wheat supplies outside of Russia and China now appear likely to be about 40 million bushels below supplies in 1936-37 and the smallest since 1937. A large reduction in probable carry-over stocks more than offsets the increase in prospective production. World stocks of old wheat on about July 1, excluding Russia and China, are tentatively placed at about 500 million bushels, which is about 260 million bushels less than last year. World production outside of Russia and China is tentatively placed at about 3,750 million bushels, which is 220 million bushels more than last year. Production in the Northern Hemisphere outside of Russia and China may be about 250 million bushels more than a year ago. Prospective increases largely in the United States more than offset prospective declines for Canada and Asia. Production in Europe is expected to be about the same as last year. In the Southern Hemisphere, where the crop is still being seeded, moisture conditions to date indicate a slight to moderate decrease.

#### CORN AND OTHER FEED GRAINS

Cash prices of all feed grains advanced in late June and early July after declining in the first half of the month. Prices of No. 3 White oats at Chicago and No. 3 Barley at Minneapolis were both higher for the week ended July 3 than for the week ended June 5, while the price of No. 3 Yellow corn at Chicago was only about 2 cents lower than the early June level. Higher feed grain prices were largely the result of improved wheat prices, together with the scarcity of available cash grain. Some recession in the prices of oats and barley from the early July level, however, seems probable during the next 2 or 3 months if growing conditions continue favorable. If the 1937 corn crop turns out about as large as the July 1 condition indicates, much lower prices are in prospect by next fall. Some weakness in corn prices may develop between now and September, but the greatest decline will probably come between September and December.

On the basis of the July 1 condition, the 1937 production of feed grains promises to be the largest since 1932. The indicated production of corn is 2,572 million bushels, oats 1,111 million bushels, and barley 244 million bushels. These indications, combined with an average grain sorghum crop, would result in a total feed grain production of 98.4 million tons compared with 60.4 million tons last year and 100.4 million tons for the 1928-32 average. In some of the Midwestern States, however, there has been a scarcity of rain during the last 3 weeks, and the corn yields indicated for these areas on July 1 are dependent on rains in the near future. Changes in oats and barley prospects after July 1 are usually comparatively small, while changes in corn prospects may be large.

The small supplies of corn and oats remaining on farms were reduced at a relatively rapid rate during the period April-June. July 1 farm stocks of corn totaled 156 million bushels, which was 52 million bushels less than the very small stocks 2 years ago, and by far the smallest in the 12 years of record. Oat stocks of 88 million bushels were 17 million bushels larger than 2 years ago, but with the exception of that year, they are much smaller than for any of the other 12 years for which official estimates are available.

### RICE

Rice prices have moved generally downward during the past 2 or 3 months, influenced principally by favorable prospects for the new crop and above average stocks of old rice. The July 1 condition indicates a 1937 crop of 48,716,000 bushels, which compares with a crop of 46,833,000 bushels last year and 42,826,000 bushels for the 1928-32 average. A crop of this size, together with a prospective large carry-over, would result in total supplies for 1937-38 somewhat above the large supplies last year and much above the 1928-32 average.

Very little rice remained in growers' hands in the Southern States on July 1. <sup>the</sup> Mill stocks on that date were estimated to be nearly three times as large as ~~small~~ mill stocks a year earlier, and over 50 percent larger than the average for the past 5 years. In California, stocks were above average both in mills and in country elevators, and total stocks were about twice as large as on the same date last year. The market situation in both these areas has been dull in recent weeks, with mills depending largely on stocks already accumulated, or buying only such supplies as were needed for their current milled rice demand.

As the result of increased shipments to Puerto Rico, total shipments of rice to insular possessions during the period August - May 1936-37 were larger than for that period of any other recent year. Exports during these months, however, have been unusually small, and combined with shipments to possessions, give a total slightly smaller than in the same period of any of the last 3 marketing years. Both exports and shipments reached a peak in February and since that month they have made rather sharp declines.

### COTTON

The movement of cotton prices during most of June roughly paralleled the movement of the average prices of leading internationally traded commodities. Spot cotton prices at the 10 markets averaged 12.50 cents in June. The high for the month was 13.02 on June 2, and the low 12.15 on June 14. The averages for the weeks ended July 3 and 10 were 12.43 and 12.59 cents, respectively. Prices of the principal foreign growths of cotton at Liverpool during June continued, as in May, to be higher relative to American than in the earlier months of the present season.



The Crop Reporting Board reports an area of cotton in cultivation on July 1, 1937 of 34,192,000 acres compared with 30,960,000 acres last season, an increase of 10.4 percent. Provided the 10-year average abandonment of 2.3 percent occurs and assuming a yield per acre equal to the highest in the last 10 years, the crop would amount to nearly 15 million bales. With a yield equal to the lowest in the past 10 years, the crop would amount to about 11 million bales, and with 1932-36 average yields to about 13 million bales. Reports from trade sources indicate that weather conditions continue to be favorable to the development of the crop.

Trade reports state that consumption by domestic mills is still running at a record high rate but that the level of mill activity is gradually declining as a result of the continued small volume of new orders relative to mill output. Mill margins declined in June and are now lower than in recent months, but were still higher than in the corresponding month for any previous year on record. Cotton mill activity continued to run at a comparatively high level in most foreign countries during June and early July. Trade reports, however, state that mill sales of goods are running much below output in several countries, notably in England, France, and Japan.

Exports of 230,000 bales in June and 5,316,000 bales in the 11 months ended June were 23 percent and 9 percent less, respectively, than in the corresponding months last season.

#### WOOL

There was little activity in the domestic wool market during June. Prices of medium wools were slightly higher at country points the latter part of the month, but quotations at Boston were largely nominal. Since world supplies of wool are below average for this season of the year and demand conditions in this country and abroad continue rather favorable, little change in wool prices is expected prior to the opening of the new Southern Hemisphere selling season in September. Present prospects indicate that wool production in Southern Hemisphere countries will be larger than that of last year.

Consumption of apparel wool in the United States in the first 5 months of 1937 was almost 20 percent larger than a year earlier and was larger than in the same months of any year since 1923. In view of the very high level of mill consumption since early 1935 it is possible that in the past year there has been some accumulation of finished wool goods in the several channels of trade. Wool prices in this country are now somewhat higher than in 1929, whereas prices of other textile materials (cotton, rayon and silk) are lower than in 1929. This price relationship does not favor a continuation of the present high level of consumption of wool. Hence, it does not appear likely that mill consumption of apparel wool in the last half of 1937 will be so large as in the corresponding period of 1936.

General imports of apparel wool into the United States in the first 5 months of 1937 were larger than in the same period of any year since 1926. The large purchases by the United States were an important factor in the almost complete clearance of the 1936-37 clip in the Southern Hemisphere at prices which were higher than those of the previous season. In view of the present relatively small domestic supplies, United States imports of wool in the first half of 1933 may be fairly large. With prospects for a decline in mill consumption later this year, however, imports are not likely to equal those of the first half of the current year.



## LAMBS

Slaughter supplies of sheep and lambs probably will continue larger than a year earlier, until September at least. In contrast to conditions last year when drought delayed the finishing of lambs for market in many areas after June, ranges and pastures generally favor a more rapid finishing of this year's delayed lamb crop. A further seasonal increase in the marketings of lambs from the Corn Belt is probable, and may accompany a larger than usual increase in marketings of range lambs in the late summer. Slaughter during this period, however, will be affected to some extent by the demand which develops for feeder lambs.

The seasonal decline in lamb prices which started about mid-June carried the weekly average price of good and choice lambs at Chicago from \$12.66 in the week ended June 12, to \$10.93 in the week ended July 3. A recovery to \$11.48 was made in the week ended July 10. Lamb prices in the first week of July were about \$1 higher than a year earlier. Feeder lamb prices were well maintained during most of June, advancing somewhat late in that month and in early July. Prices of slaughter ewes also strengthened in late June and early July.

Slaughter of sheep and lambs under Federal inspection in June, totaling 1,425,000 head, was 4 percent larger than in May and 9 percent larger than in June 1936. Although supplies of spring lambs were relatively scarce in early June, marketings were expanded late in the month by increased receipts from the Southeastern States and from Idaho. The first Washington lambs arrived at mid-western markets in early July. Marketings of yearlings from Texas and other areas decreased sharply during June. Receipts of Texas lambs, although smaller than in May, continued considerably larger in June and early July than a year earlier.

## CATTLE

Prices of most grades of slaughter cattle in the late summer and fall months are expected to continue at higher levels than a year earlier as a result of probable smaller slaughter supplies and a continuation of the relatively favorable demand situation. A strong demand for stocker and feeder cattle is expected to develop if feed crop conditions continue fairly good, and this will also tend to support prices of slaughter cattle. Marketings of well-finished grain-fed cattle are expected to be much smaller than usual in the late summer and early fall, and prices of choice and prime kinds are likely to be well maintained in this period. The seasonal decline in prices of the lower grades which normally occurs in the summer and fall probably will be less than average this year because of the prospective strong demand for stocker and feeder cattle.

After declining in April and May, prices of choice and prime grade steers at Chicago advanced sharply from mid-June to early July, when top prices for well-finished steers reached \$16.75 per 100 pounds. This was slightly higher than the top prices paid in early April, and was the highest price paid at that market since 1930. Supplies of heavy grain-fed cattle were relatively scarce at most markets in June. Prices of practically all grades of slaughter cattle advanced in June and early July, although marked increase in the proportion of grass cattle in the slaughter supply at Chicago occurred in June as a result of a fairly large movement of such cattle from the Southwest, and of some seasonal increase in marketings from the Corn Belt. The number of cattle slaughtered under Federal inspection increased sharply from May to June.

During the first 6 months of 1937, inspected cattle slaughter, totaling 4,787,000 head, was 2 percent smaller than the large slaughter of a year earlier, but was 15 percent larger than average (1924-33). Inspected calf slaughter totaling 3,241,000 head, was 12 percent larger than in 1936, and was the largest for this period on record.

#### HOGS

With a smaller spring pig crop in 1937 than in 1936, it is expected that hog slaughter next fall and winter will be considerably smaller than that of a year earlier. If consumer demand for hog products continues near the present level, as now seems probable, hog prices in the last quarter of 1937 and the first quarter of 1938 will average higher than in the corresponding periods of 1936 and 1937. During the remainder of the summer, hog marketings probably will continue small and prices are expected to be well maintained near the present high level, with some further advance possible.

After advancing more than \$1 per 100 pounds in May, hog prices declined somewhat during most of June. In early July, however, another advance got under way and prices rose to a level higher than that reached in May. In the week ended July 10 the average price of hogs at Chicago of \$11.69 was the highest since September 1928. Marketings of hogs continued small during June and early July. Inspected hog slaughter in June, totaling 2,110,000 was slightly larger than in May, but except for 1935 it was the smallest slaughter in June since 1896. Storage holdings of hog products were reduced sharply in both May and June, and on July 1, stocks of pork were below average for that date, although larger than those of a year earlier. Stocks of lard on July 1 were larger than average and were larger than on July 1 last year.

Despite the recent advance in hog prices, the hog-corn price ratio continues below average, since corn prices have remained high. On the basis of breeding intentions reported about June 1, it was estimated that the number of sows to farrow in the fall of 1937 would be about 3 percent smaller than the number farrowing last fall. If corn crop prospects continue favorable, however, the number of sows farrowing next fall may be larger than indicated by breeding intentions of early June.

#### BUTTER

The price of 92-score butter at New York made somewhat more than the usual seasonal decline from May to June. It is probable that the seasonal low point in prices is past. During the third quarter of 1937 prices will probably average less than in the same period of 1936, but for the last half of 1937 they may average about as high as in the last half of 1936.

Butter production in May was about the same as a year earlier, but the outlook for the third quarter of 1937 is for higher production than in the same period of 1936. The movement of butter into consuming channels in May was about the same as a year earlier while retail prices were 12 percent higher. Storage holdings of butter on July 1 were 9,000,000 pounds larger than a year earlier, but about average for that date.

During June and the later part of May the Agricultural Adjustment Administration purchased about 2,600,000 pounds of butter. Practically no purchases have been made since the first of July.



## POULTRY AND EGGS

The essential features of the present outlook are (1) the prospect that an unfavorable feed situation will continue to some extent during the remainder of 1937, and (2) the prospect that pullets carried through this period will enter their season of heaviest production in early 1938 with a more favorable feed situation and with egg prices above those of 1937.

While the farm prices of chickens may decline during the summer by as much as they did in the corresponding period of 1936, because of the disposal of the remainder of the heavy storage stocks, any decline after September is likely to be less than in 1936. By then the effect of the reduction in the hatch will be felt upon poultry marketings.

The farm price of eggs has begun its seasonal rise to a peak in December. Because of the 26-percent increase over 1936 in storage stocks of eggs, both shell and frozen, the advance this year is not likely to be as great as a year ago. In the first half of 1938, however, when these storage stocks are no longer an important factor in the situation and when both the size of the laying flock and the rate of egg production will probably be less than in early 1937, egg prices are likely to be above those of the same months of 1937.

## APPLES

The July 1 condition report indicates a 1937 apple crop of 194 million bushels. Only 2 apple crops (1926 and 1931) have exceeded this figure during the past 15 years. If the final outturn is as large as indicated, production of apples this year will be 65 percent greater than the small crop of last year and about 20 percent above the 1931-35 average. This prospective large supply will result in lower prices to growers of apples this year than the relatively high prices of 1936. However, if consumers' incomes remain near present levels, as seems likely, prices of the 1937 crop will probably average higher than those of 1935 and perhaps as high as those of 1934.

The July 1 indications of apple production in the Atlantic Coast States point to a crop of 94 million bushels, which is more than a third above the 1931-35 average. Production in the Central States is indicated as 48 million bushels, or almost a fifth larger than average. In the Western States the indicated 1937 crop is about the same as average, but is a little larger than the 1936 crop.

## PEACHES

Prices of peaches in terminal markets declined seasonally during the past month as shipments increased, but remained considerably above the prices of a year earlier. Shipments thus far in the season from the Southern States are only about half as large as the 1934-36 average because of the combined effect of a late season and a very small crop of peaches in this region (23 percent less than average). Shipments are expected to continue lighter than average and prices relatively high, until August, when supplies from other areas will begin to move in volume.



It appears that production of peaches in California will be about the same as that of last year and the 1931-35 average, but in the balance of the States which ship during August and September, the 1937 crop is indicated to be twice as large as last year's crop and more than one-third greater than average. It is doubtful whether the improvement in consumer purchasing power this year over last will entirely offset the price-depressing influence of larger supplies, and peach prices in the late States may average below those of last year.

#### POTATOES

Market prices of potatoes declined seasonally during the past month, although shipments from the second early and intermediate states have been unusually heavy. At Chicago the decline was from \$1.95 per 100 pounds the first week of June to \$1.35 the first week of July, while at New York it was from \$1.94 to \$1.19. With the bulk of supplies coming largely from the intermediate states and nearby areas, market prices are expected to continue this downward trend during the next few months. The decline, however, probably will be no greater than seasonal.

The United States potato crop for 1937, based upon the planted acreage and July 1 condition reports, is indicated to be 404,229,000 bushels or about 23 percent larger than the relatively small crop harvested in 1936 and about 9 percent above the 1928-32 average crop. There was an increase of about 5.4 percent in the acreage planted over that harvested in 1936, and the condition of the crop on July 1 indicated an average yield per acre of 125.4 bushels - the highest on record. Yields averaged only 107.9 bushels per acre in 1936 while the 10-year average (1923-32) is 112.7 bushels.

Production of potatoes in the eight eastern late states is indicated to be 116,852,000 bushels or 10 percent larger than production in this area in 1936; in the 10 central states, 121,721,000 bushels or 33 percent larger than in 1936, and in the 12 western states 90,399,000 bushels or 14 percent larger.

Potato production in the seven intermediate states is indicated to be 38,419,000 bushels or 47 percent larger than last year. The commercial crop, indicated at about 22,000,000 bushels, is now moving to market and is the principal source of supply. Shipments from Virginia are about one-half completed while those from Maryland, Kansas and Missouri are just getting started. The New Jersey crop will begin to move in volume during the last week of July or first week of August.

#### TRUCK CROPS

Supplies of most truck crops were plentiful in mid-July and probably will continue so during the balance of the summer. Shipments of muskmelons, watermelons, tomatoes, and lettuce were particularly active. Wholesale prices of asparagus advanced rather sharply over those of a month earlier, as the marketing season approached its close. Cauliflower likewise sold higher, and onion prices continued firm. Spinach and green pea prices held fairly firm. Cantaloup, carrot, and lettuce prices weakened during the past month, but were still relatively high. Snap beans declined. Market prices were very much lower for watermelons, tomatoes, cabbage, green corn, cucumbers, peppers, and eggplant. As the result of an accumulation of southeastern watermelons in large terminal markets, a shipping holiday extending from July 8 to July 10 was promulgated.

